

IT Services Market
Telecom & IT Trends Mexico 2004

International Market Insight
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The Mexican Information Technology (IT) market represents one percent of the total GDP. IT Services is the second largest sector within the IT market, representing 31 percent of the total IT market. In 2002, the IT Services market increased by 4 percent reaching US\$1.9 billion dollars and is expected to grow by 2 percent this year.

The slowdown in the Mexican economy and the lack of knowledge of the benefits of investing in information technologies has affected business in consulting and systems integration. The demand for CRM (Client Relationship Management) and SCM (Supply Chain Management) solutions, some ERP (Enterprise Resource Planning) applications and network system applications has been reduced. Service providers should be aware that the market demands customized solutions that will meet customer needs and budgets.

Outsourcing is the most dynamic within the IT services sector. In 2002, this sub-sector grew by 10 percent, especially in the areas of applications management, call centers, and data processing and data warehousing services. We estimate 5-percent growth in outsourcing services in 2003. The market for applications management outsourcing was valued at US\$67 million dollars in 2002.

The opportunities for medium- to large-size enterprises are in the integration of ERP and CRM solutions and network system applications. Opportunities for small companies exist in the areas of accounting, human resources, and payroll applications.

Although infrastructure installation and support services have experienced minimum growth, they provide additional income to service providers as users are currently concerned about return on investment and in keeping their systems operating accurately.

The growing interest in e-commerce is creating a need for hosting services with large storage capabilities. Companies that are capable of offering bundled packages of connectivity, hosting, and storage will eventually displace companies currently offering simple co-location and basic storage solutions for web sites.

The Government of Mexico remains an important procurer of IT services, and the following is a list of several government IT projects underway:

e-Mexico National System: Series of multidisciplinary initiatives to create 3,200 digital community centers with internet access in 2,445 municipalities. This project is composed of e-government, e-economy, e-health, and e-learning.

Declaranet: Automation and disintermediation of the patrimonial declaration process to enhance public sector efficiency, transparency, and accountability.

Tramitanet: An interactive G2C service model that consists of an online catalog of approximately 2,064 federal and state tramites (applications and forms).

IMSS (Mexican Social Security Institute): IMSS recently published an international tender for the provision and management of an electronic billing system.

SAT (the Mexican Internal Revenue Service): SAT has completed their strategic plan to upgrade their IT systems and improve the on-line tax collection control processes. The budget for this project is estimated to be US\$82 million, of which US\$52 million will be financed by the World Bank. The SAT is starting to evaluate the different systems and suppliers. In accordance with World Bank standards, the participation process, project development, tender, and specifications are being published in the UN's Business Development Forum publication.

EXPO COMM MEXICO 2004

The U.S. Commercial Service, U.S. Embassy in Mexico encourages U.S. companies interested in market opportunities in Mexico to participate in the USA Pavilion and Product Literature Center at EXPO COMM MEXICO 2004, February 10 to 13. EXPO COMM MEXICO 2004, a U.S. Department of Commerce certified trade show and in its 13th year, is Mexico's leading telecom, IT, wireless, networking and Internet technologies exhibition and conference. For more information, contact Beth Harrington of E.J. Krause at harrington@ejkrause.com or 301-493-5500 x3312 or Angeles Avila of the U.S. Embassy in Mexico at Angeles.Avila@mail.doc.gov or 011-52-55-5140-2621. The U.S. Embassy and U.S. Department of Commerce thank the sponsors of the USA Pavilion, AT&T, Intel, and Nextel de Mexico.

TELECOM & IT TRENDS MEXICO 2004

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